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The Gazette
BUSINESS
SECTION D
Diekmeyer D4
Trading Highlights D6
Crossword D15
BUSINESS EDITOR: DAVID YATES (514) 987-2512
TUESDAY, MARCH 20, 2001

HOW THEY CLOSED

TSE	7911.14	+158.93
CDNX	3020.99	−15.19
DOW	9959.11	+135.70
NASDAQ	1951.19	+60.28
GOLD (N.Y.)	$259.80	+$1.70
DOLLAR	63.82	+0.07
PRIME RATE	6.75	UNCH.

See World Markets on Page D6

Jitec gets the runaround

Former boss misses two payments and company issues a warning

DON MACDONALD
The Gazette

Troubled **Jitec Inc.** warned yesterday that it might not be able to recover $1 million owed by former chief executive officer **Benoit Laliberté** who left the company last year after becoming embroiled in an insider-trading scandal.

The Nuns' Island company said it has "no reasonable assurance" of recovering $1 million owed to it by Laliberté and his company, **Centre Informatique Jitec St. Hubert Inc.**, a computer retailer on the South Shore.

As well, Jitec has called in the professional-services firm KPMG to investigate the company's current financial situation, including the status of its principal contracts and transactions. Trading in the computer-networking company's stock was halted by the Montreal Exchange on Thursday and will not resume until the KPMG investigation is completed, the company said.

The stock, which hit a high of $11.65 in August, last traded at 38 cents.

INVESTIGATION CONTINUES

On Nov. 10, the Quebec Securities Commission barred Laliberté from trading Jitec stock after discovering the 28 year-old entrepreneur had traded more than 850,000 company shares through at least seven brokerage accounts and failed to report all the trades. Laliberté, who is the company's majority shareholder with about 34 million shares, also failed to report separate transfers of more than 8 million shares to 35 individuals and companies.

The QSC, which continues to investigate the manipulation of Jitec's stock, agreed in January to allow Laliberté to trade stock on the condition that he give the commission 24 hours notice before making any transaction.

Laliberté resigned as Jitec's CEO in late November after an independent committee of the board of directors said he had received $865,000 in advances from the company without board authorization and that an additional $1.2 million had gone to one of his companies.

TALKS PROVE FRUITLESS

Laliberté repaid the $865,000 and was supposed to ensure the reimbursement of the $1.2 million in six monthly instalments of $200,000 beginning in January. But payments were missed for February and March and negotiations to reorganize the repayment schedule have so far proven fruitless, said Alex Delisle, Jitec's new CEO.

Delisle said Jitec remains financially sound "at the moment," despite the $1 million liability.

He added that the KPMG investigation doesn't relate to any allegation of impropriety. Investigators will be looking at previously announced contracts and transactions to confirm their potential size and that they were "done the proper way."

"I've been here for two months now. I looked at all the contracts, all the dealings, and all the different situations and I just want to reconfirm a few things," he said, adding the company expects to have the KPMG report by Monday at the latest.

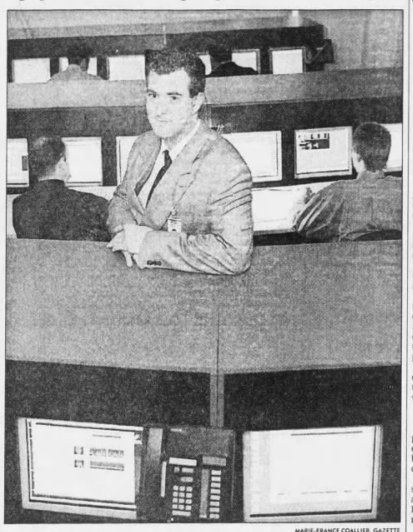
"I just need to focus on business instead of cleaning up somebody else's mess."

In a statement, Centre Informatique Jitec St. Hubert, a company controlled by Laliberté, said it had "deferred" outstanding payments on the $1.2-million debt to Jitec "due to the changes that have occurred in the business relationship between the two companies."

The statement said Laliberté is not a party to the repayment agreement and reiterated that the debt relates to inventory and other assets transferred between the two companies before Jitec Inc. went public last July. The retailer said its finances are sound and it wishes to quickly negotiate a settlement with Jitec Inc.

"All these transactions were carried out in the interest of Jitec Inc. and its shareholders and never for my personal gain," Laliberté said in the statement.

Jitec Inc. leases to small and medium-size companies its stripped-down computer terminals that are connected to powerful servers at centralized operation centres.



MARIE-FRANCE COALLIER, GAZETTE

Benoit Laliberté resigned as Jitec's CEO in late November.

Garment job scene in tatters: economist

DON MACDONALD
The Gazette

A surprising slump in manufacturing employment in Montreal can be traced to a steep decline in the city's clothing industry, a city economist said yesterday.

Maxime Trottier said half of all manufacturing job losses in Montreal between the third quarter of 1999 and the third quarter of 2000 were in the clothing industry.

More than 40,000 manufacturing jobs disappeared during that period in the greater Montreal area, a city report shows, and employment in the city's clothing industry declined 37 per cent.

The Statistics Canada labour-market survey used in the report is volatile and might exaggerate the problem.

Nevertheless, Trottier said falling employment numbers in the garment sector are backed up by other data indicating a drop in shipments, climbing imports and a slower decline in welfare claims in northern districts of the city in which the industry is concentrated compared with other parts of the city.

He said the industry is restructuring in the face of a World Trade Organization trade agreement that is gradually replacing quotas on imports with tariffs.

CITES HEAVY-HANDED TACTICS

But Bert Lafford, president of the National Apparel Bureau, said the job losses are directly related to the heavy-handed tactics of Revenue Quebec, which is trying to wring millions of dollars out of apparel manufacturers.

At least 60 clothing companies have been assessed taxes, fines and interest related to goods-and-service taxes and provincial sales taxes collected by subcontractors, but never paid to the revenue department.

The manufacturers are suing the provincial government, alleging abuse of power in the case.

They were expected to pay the assessments first and then contest their bills, depriving companies of much-needed working capital, Lafford said.

"If you reduce the capital available, you are immediately going to (have an) impact on the employment. You have to start reducing your staff and certainly put on hold any plans for expansion."

'NOT CONVINCED'

As many as half of the 70,000 workers employed in clothing manufacturing are home-based. The government is concerned that many of those slip through the tax-collection net.

An official of another apparel trade group questioned the city's depiction of large job losses in Montreal's garment industry.

"There are lots of imports, but there are more exports, too," said Hagar Greenberg, director of operations at the Apparel Manufacturers Institute of Quebec. "We have companies that can't keep up with the demand," she said. "I'm not convinced (by the report)."

Greenberg said there is actually a shortage of skilled labourers for trades such as sewing-machine operators.

Did refit figure in rig disaster?

It will take time to see whether Davie Industries is implicated: Petrobras

JAN RAVENSBERGEN
The Gazette

Petrobras, the Brazilian oil giant with a massive oil platform listing and in danger of sinking off South America, is simply trying to keep the structure afloat and won't determine right away whether a **Davie Industries Inc.** refit contributed to explosions that crippled the platform Thursday.

"It's very difficult to say now" whether there were deficiencies in the Davie work done in Lévis two years ago and whether that contributed to the catastrophe, Carlos Castro, manager of the investor-relations department at Petrobras, or Petróleo Brasileiro SA, told *The Gazette* yesterday.

"We have to conclude the investigation to know exactly what happened," he added from the Rio de Janeiro head office of the state-controlled oil company.

Sinking "is still a very significant possibility," echoed Carla Castelo Branco, another Petrobras official. The structure, with $500 million U.S. of insurance coverage, is billed as the world's highest-capacity oil platform. High waves are hindering attempts to keep it afloat about 120 kilometres off the Brazilian coast.

It could spill 1.5 million litres of fuel. Explosions that last week ripped through the $450-million (U.S.) platform killed 10 of 175 workers on board. The 40-storey high structure sank 40 centimetres overnight – and tilted a further 4 degrees to its current 26-degree list. If the platform plunges to the ocean floor, contamination could hit beaches north of Rio and the disaster could also cost Brazil 6 per cent of its daily oil output for years.

Petrobras remains on the hook to the federal Export Development Corp. for most of a $64.7-million (U.S.) loan the Ottawa agency provided two years ago so troubled Davie could overhaul the giant structure, named the Spirit of Columbus. The Davie work, done when the shipyard was struggling for work, boosted the rig's daily oil-production capacity from 100,000 to 180,000 barrels.

Most of the principal remains outstanding. "The loan is in the second year of an eight-year term," said Rod Giles, an EDC public-relations official. He refused to disclose the interest rate charged or conditions attached to the loan.

"If you want to pursue terms, you would have to do this with Petrobras," Giles added.

"You are the first people to ask for this kind of information," responded the oil firm's Castro. He referred those questions to Almir Barbaffa, executive manager of the firm's finance department. But Barbaffa couldn't be reached.

EDC "doesn't expect any disruption in the repayment schedule," said Giles.

Richard Bertrand, president of Davie, also couldn't be reached.

Smit Internationale NV, a Dutch maritime-services company, helped pump more than 4,100 tonnes of nitrogen into sunken compartments of rig to elevate it, as divers searched for the bodies of the killed workers.

Escaping gas that ignited caused the initial blasts, according to local media. Petrobras said its profits this year might shrink by $450 million U.S. because of the accident.

BLOOMBERG NEWS CONTRIBUTED TO THIS REPORT

TASSO MARCELO-AE/STADO, AFP

A crane ship (left) being used in the rescue of the Petrobas rig anchors next to the listing platform.

MORE BUSINESS NEWS

JOHN LAPPA, SUDBURY STAR

A loader fills a 45-tonne truck at Inco's Whistle mine near Capreol, Ont. Shares of nickel miner Inco and Alcan rose after the weekend merger between mining giants Billiton PLC and BHP Ltd. reignited speculation the two Canadian companies could be the targets of the next consolidation moves in the global mining industry. *Page D4*

U.S. interest rates could be trimmed. *Page D3*
Canada's ultimate liquidator. *Page D4*
Ottawa to assist workers' education. *Page D5*

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